



FINANCIAL MANAGEMENT STATUS REPORT AND STRATEGIC PLAN

VI. MODERNIZING PAYMENT AND BUSINESS PRACTICES

The Department has established a sound program to modernize payments and business practices in asset and debt management. Even with our past successes, we remain committed to continually improving these programs by streamlining processes, eliminating outmoded processes, and modernizing essential processes using state-of-the-art technology to yield maximum benefits to the American Taxpayer.

The basic elements of this program area include:

- developing policies and guidance for asset and debt management throughout the Department's eleven bureaus,
- identifying high payoff areas to establish priorities for streamlining processes and upgrading technology,
- providing assistance to bureaus in developing specific tasks/requirements to achieve desired results for identified high payoff areas,
- measuring the performance of established initiatives, and

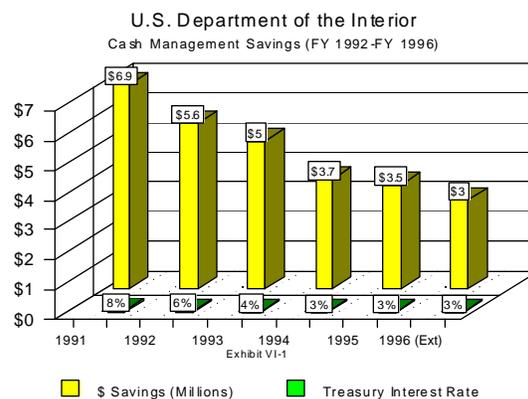
working with Treasury and the other central agencies to modernize payment and business practices; improve management of receivables; and develop long term strategies for continuous process and systems modernization.

Improving Cash Management

Due to the Department's substantial revenue-producing activities, initial efforts focused on cash receipts. The key emphasis of the Department's cash management program has been on accelerating cash

receipts by requiring payments in the form of wire transfers. In addition to using wire transfers, the Department worked cooperatively with Treasury to establish several lockbox systems to collect timber fees, abandoned mine land fees, water sale receipts, construction cost repayments, and state and local government reimbursements. In FY 1995, the Department collected approximately \$5.2 billion, of which approximately \$4.6 billion (81 percent) was collected using accelerated cash management methods.

Cash Management Savings of \$71 million have accumulated from 1983 projected through the end of FY 1996 by using new cash management techniques. Since 1991, the Department has saved approximately \$27.7 million. Exhibit VI- I displays savings by year.



The Department continues to emphasize efforts to minimize the use of Federal funds to finance operational transactions by reducing the need for advance payments. To illustrate:

- Travel charge cards have been issued to approximately 40,000 Department employees. In the last 9 years, the charge card program, including a concerted effort to use automated teller machines



FINANCIAL MANAGEMENT STATUS REPORT AND STRATEGIC PLAN

(ATMs) for travel advances, has enabled the Department to decrease outstanding travel advance balances by 67 percent, even though total travel related expenses have generally increased. From 1992 estimated through the end of 1996, outstanding travel advances will have decreased from \$5.7 million to an estimated \$1.7 million.

- Electronic funds transfer processes were used for 99 percent of the Department's \$1.5 billion in grant payments in FY 1995.
- Direct Deposit/Electronic Funds Transfer (DD/EFT) for employee salary payments reached a participation level of 85 percent as of March 31, 1996.

The VISA Bankcard Program (IMPAC) was used for 14 percent of the Department's small purchases in FY 1995 and is expected to be used for 25 percent of small purchases in FY 1996.

Action Items - Initiatives planned for improving cash management are:

- (a) implementing the EFT payment requirements of the Debt Collection Improvement Act (DCIA) of 1996,
- (b) implementing an automated interface between the Rocky Mountain bank Card (RMBC) and FFS for small purchase credit card data from the contractor to minimize data entry, improve payment processing, and promote increased card usage,
- (c) increasing ATM usage for issuing travel advances,

(d) implementing an automated interface between the AMEX, Travel Management Center (TMC) and FFS to minimize data entry and improve payment processing, and

(e) standardizing and streamlining payment certification processes within the Department to take advantage of statistical sampling methods and postpayment voucher audit.

Improving Debt Management

The Department continues to make progress in its collection and debt management activities. Over 80 percent of the Department's debt originates from the enforcement of laws and regulations and audits (not from loans or the sale of goods and services). Consequently, traditional safeguards, such as credit worthiness checks, are often not applicable. However, it is important to note that approximately one-third of the Department's delinquent debt is covered by letter of credit, bond, or other surety. In FY 1995, the Department conducted a review on streamlining the debt collection process. The review determined that the Department should refer its seriously delinquent debt directly to the Department of Justice's National Central Intake Facility to improve debt collection/resolution. The streamlined process eliminates the need to refer the debt to the Department's Office of the Solicitor. Thus, the Department will be able to better use already scarce Solicitor's Office resources and actually improve overall debt collection and resolution. With the advent of the DCIA of 1996, the Department will work closely with the U.S. Treasury to transfer its delinquent debt over 180 days past due in accordance with the DCIA and utilize current and new debt offset mechanisms to further improve collections.



FINANCIAL MANAGEMENT STATUS REPORT AND STRATEGIC PLAN

Action Items - The Department will pursue implementation of the requirements of the DCIA. Efforts will include:

(a) improving the processes associated with collecting employee debts, and

(b) implementing the requirement of the DCIA to transfer delinquent debt over 180 days past due to the Treasury.

Improving the Travel Processes

In February 1996, the Department's CFO chartered a Departmentwide Travel Re-engineering Lab to streamline the Department's travel processes; to improve the levels of service provided to travelers; to reduce the direct and indirect costs of the Department's travel program; to substantially reduce the number of Travel Management Centers used by the Department; and to improve accountability.

The Travel Lab used a systematic approach to focus on the five major components of the travel process: authorization, obligation/funds control, arrangement of travel services, voucher preparation, and payment/reconciliation. In reviewing each of the 5 components of the travel process, the Travel Lab members considered: **why** the steps were being performed; whether they **added value**; whether the steps could be **streamlined** or **eliminated**; and whether **someone else** could perform the functions more efficiently. The team reviewed the travel reinvention efforts of other Federal agencies; examined the "Best in Class" practices" of three industry leaders in the private sector; conducted a DOI customer survey (which included over 5,000 responses from DOI employees); and considered a range of alternatives in preparing recommendations.

The DOI Travel Lab is expected to complete its Report Findings and Recommendations in September 1996. Implementation of the Travel Lab recommendations will begin in early FY 1997.

Action Items - To implement the recommendations of the Travel Lab, the Department will direct its efforts toward 3 major initiatives during FY 1997 :

(a) Travel Process Improvements- A Departmentwide Travel Process Implementation Team (comprised of all bureaus and representative functions) will be created and tasked with the responsibility of carrying out the travel process changes identified by the Travel Lab. During FY 1997, the Finance Officers Partnership will work with the Travel Process Implementation Team to efficiently and effectively coordinate travel process changes which impact bureau finance and accounting operations.

(b) Consolidated Travel Management Center (TMC) Initiative- During FY 1997, the Department plans to award a contract to consolidate its existing structure of 140 Travel Management Centers. The Department expects substantial benefits to be realized through standardized billing and reconciliation procedures.

(c) Travel System Improvement Efforts In cooperation with the Department's Administrative Systems Group, a Travel System Improvement Team (comprised of all bureaus and representative functions) will be established in FY 1997 to identify user requirements for an integrated travel sys-



FINANCIAL MANAGEMENT STATUS REPORT AND STRATEGIC PLAN

tem, and to pilot test several applications using the Department's newly acquired electronic forms software package. The Finance Officer Partnership will participate on the Travel System Improvement Team to ensure that the needs of finance and accounting operations are explicitly considered in the travel system design effort. Particular emphasis will be placed on developing automated interfaces between the travel system and the accounting system.

Improving Property Management

The Interior NPR Team recommended the establishment of a Departmental electronic bulletin board for identification of excess personal property. The Bureau of Land Management (BLM) is serving as the lead bureau. The electronic bulletin board, as a part of the automated personal property reutilization and disposal system, has enabled the Department to screen available excess personal property for reuse.

The Department is using the government-wide real property management system developed by GSA. The system supports the life cycle of the property from acquisition to transfer or disposal. Moreover, the system stores data on improvements, income, expenses, usage, and general rent and lease management information. BLM is pursuing the establishment of an electronic reconciliation of the real property records with the bureau's SGL.

In FY 1993, the Department initiated a pilot project involving the use of a contractor to audit transportation invoices before payment. This project has been very successful producing significant savings (nearly \$20 saved by the Department for each \$1 paid to the contractor).

We performed an analysis of this program on how to further increase savings. We found that not all government bills of lading (GBL) were being submitted to the contractor, which we will address in our future plans. Moreover, GSA issued new GBL preaudit contracts in April 1996. The Department worked with the current participating bureaus to effect an orderly transfer to the new contractors. The successful transfer took place in July 1996.

Action Items - The Department will address property, plant and equipment (PP&E) policy issues such as, fixed asset valuation (includes amortization, depreciation, and obsolescence); internal controls; and periodic physical inventories/verifications in accordance with the PP&E and Cost Accounting standards of the FASAB.

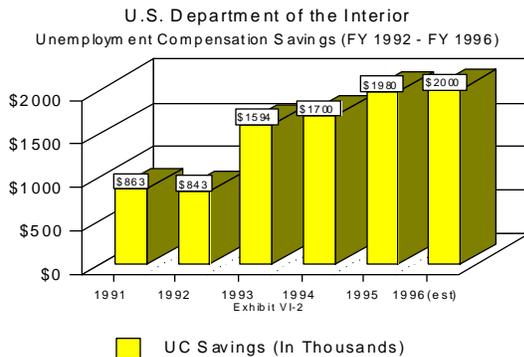
Managing Unemployment Compensation Costs

The Department's efforts to control unemployment compensation costs continues to pay substantial dividends. Since January 1, 1986, the Department has used a contractor to: (1) verify employment, (2) process protests and appeals, (3) verify State data, and (4) produce management reports. As shown in Exhibit VI-2, projected cumulative program savings as of September 30, 1996, are expected to be just under \$9 million

Action Item - Due to the very high savings of this initiative, the Department will continue using the present outsourcing arrangement while searching for any further improvement potential.



FINANCIAL MANAGEMENT STATUS REPORT AND STRATEGIC PLAN



Improving Electronic Communication

PFM has embraced the Internet as an efficient and cost-effective means to electronically publish and disseminate critical financial management information to customers.

In March, 1996, PFM introduced its World Wide Web Home Page on the Internet. The development of the Home Page and use of the Internet represents one of PFM's efforts to use information technology to streamline financial services. Although PFM's Web site is relatively new, a substantial amount of financial management information has been posted to it. As of August 1996, the following information is available to internal and external customers:

- PFM Organization and Directory,
- Departmental Accounting Manual,
- DOI 1994 Annual Report (Prototype),
- Financial Administration Memorandums,
- Financial Management Training Courses and Events,
- Finance Officers' Partnership 1995 Annual Report,
- Secretary's Semi-Annual Report on

Audit Follow-up, and

- Links to Other Financial Management Web Sites.

Action Items - During FY 1997, the Office of Financial Management plans to post additional financial management information to its Home Page. Planned additions include:

- DOI 1995 Annual Report
- DOI 1996 Annual Report
- DOI 1995 Accountability Report (Prototype)
- DOI 1996 Five-Year Financial Status Report

PFM also plans to enhance its Web site by using advanced Hypertext Transfer Protocol (HTTP) standards to facilitate communication with customers. This will **include** comment and survey forms to allow customers to provide electronic feedback to PFM.

In addition, the Department plans to expand the use of advanced technology (LANS and WANS) to reduce/eliminate paper driven inputs/outputs for communications, policy issuances, and reports. This effort includes the development of an executive information system (EIS) to extract data from bureau systems to produce accurate and timely Departmentwide financial and program performance reports, and obtaining access to the Federal Register, Congressional Record, and other information resources via Internet.

Monitoring Cost Recovery/User Charges and Cost Accounting

The Department operates a substantial user charge



FINANCIAL MANAGEMENT STATUS REPORT AND STRATEGIC PLAN

program. Annually, the Department collects fees of approximately \$350 million from over 100 cost recovery activities and approximately \$5 billion from other fee activities including royalties, rents, and bonuses mostly related to minerals, timber, and other uses of Federal lands. The Department maintains a data base of all user charge activities (both receipts and offsetting collections) for some 250 identified activities (includes cost recovery activities). The data base includes descriptions of the activities, estimated annual collections, pricing structure, legal authority, contact personnel, and other pertinent information.

Action Item - The Department will continue to monitor cost recovery on an annual basis to identify areas not recovering full costs. In accordance with the CFO Act, the Department will conduct biennial reviews of all user charge activities (i.e., rents, royalties, permits, etc. in addition to cost recovery activities) and maintain a data base of these activities. The next biennial review will be performed for FY 1997 user charge activities. Moreover, the Department is participating in collaborative efforts both inter- and intra-departmental. These activities include the Cost Accounting Work Group of the CFO Council and the DOI Administrative Services Advisory Board.

Improving Prompt Payment Act Compliance

The Department is continuing the effort to improve compliance with the Prompt Payment Act with particular emphasis on enhancing bureau quality control programs. Improvement in quality control coupled with the general government shutdown during the FY 1996 budget hiatus, resulted in a higher incidence of late payments and interest

penalties which will be addressed in our future plans.

Action Item - The Department will perform analyses of selected asset management areas to identify ways to further streamline and improve processes. This includes reducing Prompt Payment Act interest penalties, increasing electronic fund transfer payments (in accordance with DCIA), and implementing the new Treasury FedSelect Checks.

Improving Permanent Change of Station (PCS) Processes

The Department plans to streamline PCS and related processes in accordance with the recommendations of the Relocation/PCS Travel Lab and incorporate an equitable way to reduce the number of relocations while providing displaced employees with access to job vacancies outside of their current commuting area.

Action Items - PFM will work toward streamlining the processing of PCS travel authorizations and vouchers (resulting in a reduction of processing time and cost), improving customer service to the employees, and reducing overall PCS moves within the Department.